

## Message Text

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TAGS: EMIN, EIND, GW

SUBJECT: ALUMINUM INDUSTRY TARGET OF PRICE FIXING INVESTIGATION

REF: DUSSELDORF A-34

1. SUMMARY: THE FEDERAL CARTEL OFFICE HAS BEGUN INVESTIGATING CHARGES OF AN ILLEGAL PRICE AND DISCOUNT CARTEL IN THE GERMAN PRIMARY ALUMINUM INDUSTRY. THIS IS A PRELIMINARY INVESTIGATION TO DETERMINE WHETHER OR NOT CHARGES ARE TO BE BROUGHT AGAINST THE GERMAN PRODUCERS. THE CARTEL OFFICE, THE MAJOR PRIMARY ALUMINUM FIRMS AND THE ALUMINUM INDUSTRY ASSOCIATION ARE WITHHOLDING PUBLIC COMMENT ON THE CHARGES. END SUMMARY.

2. ACCORDING TO A LEAD ARTICLE PUBLISHED IN HANDELSBLATT, THE MOST WIDELY CIRCULATED GERMAN INDUSTRIAL AND FINANCIAL NEWSPAPER, THE FEDERAL CARTEL OFFICE HAS BEGUN AN INVESTIGATION INTO CHARGES OF PRICE FIXING ON THE PART OF VIRTUALLY ALL PRIMARY ALUMINUM PRODUCERS IN GERMANY. THIS IS A PRELIMINARY INVESTIGATION TO DETERMINE WHETHER OR NOT SUFFICIENT EVIDENCE EXISTS TO BRING PRICE AND DISCOUNT CARTEL CHARGES AGAINST THE ALUMINUM PRODUCERS.

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ANTI-TRUST OFFICIALS SEIZED BUSINESS RECORDS OF THE

ALUMINUM FIRMS DURING VISITS ON MARCH 24, 1976, AFTER MARKET MONITORING HAD INDICATED THE POSSIBILITY OF COLLUSION IN SETTING PRIMARY ALUMINUM PRICES. THE CARTEL OFFICE IS NOW CAREFULLY EXAMINING THE SEIZED RECORDS TO DETERMINE WHETHER OR NOT THEIR SUSPICIONS ARE JUSTIFIED AND WHAT CHARGES, IF ANY, ARE TO BE BROUGHT AGAINST ALUMINUM PRODUCERS.

3. IN 1975, THE WORST YEAR FOR THE ALUMINUM INDUSTRY IN POST-WAR HISTORY, PRODUCERS WERE FORCED TO GRANT DISCOUNTS OF UP TO DM.30 PER KILOGRAM (FROM THE LIST PRICE OF DM 2.50 PER KILOGRAM) TO MEET FOREIGN COMPETITION. WHEN, IN THE BEGINNING OF 1976, THE ALUMINUM MARKET FIRMED UP, THE PRODUCERS SIMULTANEOUSLY INCREASED THEIR PRICES TO A LEVEL APPROACHING THE LIST PRICE. WHILE THE PRODUCERS CLAIM THAT THIS IS CUSTOMARY IN THEIR INDUSTRY, THE FEDERAL CARTEL OFFICE SUSPECTS THAT ILLEGAL DISCOUNT AND PRICE AGREEMENTS MAY HAVE BEEN MADE AMONG THE PRODUCERS.

4. INDUSTRY REPRESENTATIVES AS WELL AS FRG OFFICIALS INVOLVED WITH THE INVESTIGATION ARE REFUSING PUBLIC COMMENT ON THE HANDELSBLATT ARTICLE IN AN ATTEMPT TO GIVE THE MATTER THE LOWEST POSSIBLE PROFILE. EVEN CONFIDENTIAL INQUIRIES BY THE POST TO ESTABLISHED CONTACTS IN THE ALUMINUM INDUSTRY RECEIVED QUOTE NO COMMENT UNQUOTE REPLIES.

5. COMMENT. IT IS NO SURPRISE THAT THE PRIMARY ALUMINUM PRODUCERS RAISED THEIR PRICES WHEN DEMAND CONDITIONS MADE IT POSSIBLE. VIRTUALLY EVERY FIRM IN THE INDUSTRY RAN IN THE RED LAST YEAR AND COULD NOT HAVE CONTINUED FOR A SUSTAINED PERIOD SELLING AT THE HEAVILY DISCOUNTED 1975 PRICE LEVELS.DUX

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